APPENDIX A — MOTION BY RESEARCH IN MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT DATED JUNE 8, 2005

NONCONFIDENTIAL

03-1615

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

NTP, INC.,

Plaintiff-Appellee,

v.

RESEARCH IN MOTION, LTD.,

Defendant-Appellant.

Appeal from the United States District Court For the Eastern District of Virginia in Case No. 01-CV-767, Judge James R. Spencer

MOTION BY RESEARCH IN MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT

CONFIDENTIAL MATERIAL OMITTED

The material omitted from page 4 of this motion relates to proprietary and business information prepared during settlement discussions and is subject to a protective order.

Appendix A

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NTP, INC.,

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v.

RESEARCH IN MOTION, LTD.,

Defendant-Appellant.

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MOTION BY RESEARCH IN MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT

CONFIDENTIAL INFORMATION

Defendant-Appellant Research In Motion, Ltd. ("RIM") moves the Court to stay this appeal and remand to the district court to construe and enforce a settlement agreement between RIM and Plaintiff-Appellee NTP, Inc. ("NTP").[1] While RIM's combined petition for rehearing and rehearing *en banc* has

1. On June 8, counsel for RIM discussed this motion with counsel for NTP, Mr. James Wallace, who declined to indicate whether or not NTP opposes this motion or whether it would file a response.

been pending in this Court, the parties mediated their controversy before a U.S. magistrate, agreed to settle this case, and executed a binding Term Sheet that resolves all current litigation. The parties agreed to work together in good faith to finalize and execute definitive license and settlement agreement documents during the following weeks. For nearly three months now, RIM has been working in good faith to complete that process and obtain the final license and settlement documents. However, despite numerous exchanges between the parties, and even additional mediation before the magistrate, NTP refuses to honor all of its obligations under the Term Sheet and finalize the definitive documents that would resolve the parties' entire controversy required by the Term Sheet.

If the parties' Term Sheet constitutes a binding and enforceable agreement, the underlying case (including this appeal) is moot and this Court lacks jurisdiction to proceed in the appeal as of March 13, 2005 when the Term Sheet was executed. Given this basic jurisdictional issue, and the need to preserve the status quo between the parties as it existed at the time of their settlement, RIM respectfully requests the Court to follow the established procedure followed in other appellate courts when a dispute arises en route to finalizing a settlement reached while an appeal is pending — *i.e.*, stay the appeal process and remand to the district court to resolve any remaining disputes related to memorializing and executing the parties' final agreement. To the extent that disputed factual issues require further exploration, the district court is the proper forum in which to permit necessary discovery, conduct an evidentiary hearing, enforce the Term Sheet, and construe the terms of the parties' settlement.

Appendix A

I. BACKGROUND

On December 14, 2004, this Court issued a panel decision that, upon issuance of the mandate, would affirm-in-part and vacate-in-part the decision of the district court below, and remand the case for further proceedings.[2] On January 11, 2005, RIM timely filed a combined petition for rehearing and rehearing *en banc* on several significant issues, including whether the panel decision improperly extends U.S. patent law to extraterritorially cover use of one or more components of a patented invention in other countries. The significance of this extraterritoriality issue alone led to the filing of several *amicus* briefs supporting *en banc* review of the panel decision. Indeed, the Canadian government took the rare action of filing an *amicus* brief expressing concern about the panel's decision and strongly urging *en banc* review. This Court requested a response to RIM's petition, which NTP filed on January 24, 2005.

During the pendency of RIM's petition for rehearing, the parties mediated this matter before Magistrate Judge Dohnal, a federal magistrate based in the Eastern District of Virginia where the underlying case was tried, and on March 13, 2005, signed a binding Term Sheet that the parties agreed resolved the litigation between them.[3] The Term Sheet is attached as Exhibit 2. The Term Sheet incorporates by reference terms

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2. *NTP, Inc. v. Research In Motion, Ltd.*, 392 F.3d 1336 (Fed. Cir. 2004).

3. Joint Press Release, Research In Motion And NTP Agree To Resolve Litigation, dated Mar. 16, 2005. (Ex. 1) (hereinafter "Joint Press Release")

from a letter that is attached as Exhibit 3. The Term Sheet requires RIM to pay $450 million in exchange for NTP and its shareholders granting RIM and its customers unfettered rights to continue RIM's BlackBerry-related wireless business without further interference from NTP or its patents.[4] The parties agreed that the Term Sheet was fully binding and enforceable.[5] Under the Term Sheet, the parties agreed to finalize the terms of this resolution in a definitive licensing and settlement agreement in the following weeks.[6] The parties further agreed that [

]7 The negotiations of final definitive license and settlement agreements have reached an impasse, because NTP now refuses to honor its agreement and obligations under the Term Sheet.

While the parties were seeking to finalize the definitive agreements, the U.S. Patent and Trademark Office ("Patent Office") has taken significant action raising serious questions about the viability of NTP's patents in suit. For over two years, the Patent Office has been reexamining eight NTP patents, including the five at issue here. The Patent Office has now begun issuing first office actions in those

4. *Id.*

5. Joint Press Release (Ex. 1).

6. *Id.*

7. Email Agreement (Mar. 15, 2004) (Ex. 4).

reexaminations. To date, the Patent Office has issued first office actions for half of the NTP patents under reexaminations that reject all claims in those patents, including all claims of U.S. Patents 5,436,960 and 5,625,670 at issue here. Based on the strength and scope of those rejections, it is expected that first office actions similarly will reject all claims in the remaining NTP patents-in-suit (U.S. Patents 5,819,172, 6,067,451 and 6,317,592). These reexaminations should be resolved within a matter of months. In recent testimony by Patent Office Director Jon Dudas during a Senate hearing, Mr. Dudas testified that, by the end of fiscal year 2005, the Patent Office intends to resolve all instances of *ex parte* reexaminations that have been pending with an examiner for more than two years (which is the case here).[8]

II. ARGUMENT

Under well-established law, this Court lacks the jurisdiction to proceed with this appeal if the parties have entered a binding settlement agreement.[9] As one striking

8. The Patent System: Today and Tomorrow, Hearing Before the Subcomm. On Intellectual Property of the Senate Comm. On the Judiciary (Apr. 21, 2005) Statement of the Honorable Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent & Trademark Office.

9. *See Gould v. Control Laser Corp.*, 866 F.2d 1391, 1392 (Fed. Cir. 1989) ("Settlement moots an action.") (*citing Lake Coal Co. v. Roberts & Schaefer Co.*, 474 U.S. 120 (1985)); *see also Aulenback, Inc. v. F.H.A.*, 103 F.3d 156, 161 (D.C. Cir. 1997) ("The general

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example on virtually identical facts, the Eleventh Circuit ruled that it did not have jurisdiction to proceed with an appeal that was mooted by a settlement entered after an original panel decision had issued, but while a petition for rehearing of that decision was still pending.[10] Hence, this Court's jurisdiction to take any further actions in this appeal is now dependent upon whether the parties have in fact settled their controversy as of the execution of the Term Sheet on March 13, 2005.

Disputes as to the terms or enforceability of a settlement agreement entered during appeal must be resolved before the court can proceed with the underlying action, which may require discovery and an evidentiary hearing. Accordingly, because appellate courts are not designed to resolve such disputes in the first instance, the Fourth Circuit (the regional circuit in which this case was tried) and other appellate courts have stayed pending appeals and remanded to allow the parties to conduct further proceedings in the district court where, as here, the parties agree to settle a case pending appeal but a dispute has arisen as to the terms of that settlement:

> Where the existence or validity of ...a settlement [agreement] is legitimately contested by one of the parties, appellate courts, of course, will not

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(Cont'd)

rule, however is that complete settlement moots an action," *citing Gould*, 866 F.2d at 1392.); *Pressley Ridge Schs. v. Shimer*, 134 F.3d 1218, 1220 (4th Cir. 1998) ("Because the parties have entered into a settlement, however no live dispute between them currently exists. Accordingly, we lack jurisdiction to consider the case.").

10. *Key Enters. of Delaware, Inc. v. Venice Hosp.*, 9 F.3d 893, 897-99 (11th Cir. 1993).

> normally act as a court of original jurisdiction and litigate the matter. Rather the appropriate course in such an instance would appear to be that of continuing or staying the appeal so that a competent court may decide the issue.[11]

By this motion, RIM respectfully requests that this Court follow the procedure established by those cases under the present circumstances.

Staying further appellate action on the underlying case until the settlement dispute is resolved is not only a jurisdictional requirement under the mootness doctrine, but is critical to preserve the *status quo* of the underlying substantive action as of the time that the settlement was entered.

This Court should grant the requested stay so that the parties can focus their efforts and resources on resolving the settlement dispute and ending this controversy. If the appeal process proceeds and RIM's petition for rehearing is granted, then the parties would need to divert resources from the settlement dispute toward preparing substantive briefs and oral argument for that rehearing. If rehearing is denied, then the parties still must divert resources toward preparing a petition for Supreme Court review, including review of the substantial

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11. *See Guinness PLC v. Ward*, 955 F.2d 875, 897 (4th Cir. 1992) (discussing limited remand of a case to decide a substantive issue before a competent court); *see also Bergstrom v. Sears, Roebuck & Co*, 532 F. Supp. 923, 934-35 (D. Minn. 1982) (if settlement reached pending appeal, authority of a district court may be limited by terms of the remand to take evidence "on the issue of whether a settlement was reached.").

extraterritoriality issues raised in this appeal. Accordingly, a stay of the appeal process is further appropriate because it would enable the parties properly to focus their efforts on confirming settlement of this entire case and controversy.

III. CONCLUSION

For the foregoing reasons, RIM respectfully requests this Court to stay the appeal and remand the case to the district court for further proceedings limited to enforcing the Term Sheet and determining the terms of the parties' settlement in this action, including any discovery, briefing, and/or an evidentiary hearing as necessary to resolve that issue.

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June 8, 2005

APPENDIX B — RESEARCH IN MOTION'S REPLY SUPPORTING ITS MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT DATED JUNE 13, 2005

NONCONFIDENTIAL

03-1615

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

NTP, INC.,

Plaintiff-Appellee,

v.

RESEARCH IN MOTION, LTD.,

Defendant-Appellant.

Appeal from the United States District Court For the Eastern District of Virginia in Case No. 01-CV-767, Judge James R. Spencer

RESEARCH IN MOTION'S REPLY SUPPORTING ITS MOTION TO STAY APPEAL AND REMAND FOR ENFORCEMENT OF SETTLEMENT AGREEMENT

CONFIDENTIAL MATERIAL: The confidential version of this reply contains proprietary business information prepared during settlement discussions and is subject to a protective order. Such information is designated within the reply by enclosed, bold brackets [ ] and redacted in the non-confidential version of the reply.

Appendix B

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[

] --

James Wallace, Esq., Counsel for NTP, Mar. 15, 2005 (RIM Exhibit 4).

That was NTP's unequivocal position after executing the detailed Term Sheet on March 13 that [

][1]

RIM similarly confirmed that [

][2] Indeed, the parties jointly prepared a press release at the time to "announce[] that they have signed a binding term sheet that resolves all current litigation between them."[3] The *evidence* (RIM Exhibits 1-4) before the Court shows that this litigation was settled on March 13. NTP's change of mind now does not undo the clear meeting of the minds and binding agreement then.

NTP submits no *evidence* to the contrary. NTP's opposition rests solely on bare attorney argument portraying

1. Term Sheet (RIM Ex. 2).

2. E-mail Agreement (RIM Ex. 4) (statement from RIM's counsel).

3. Joint Press Release (RIM Ex. 1).

an inaccurate story of the mediation process. Such hollow, self-serving rhetoric cannot rebut the strong evidence that this case settled on March 13.[4]

NTP's allegations also violate the mediation privilege imposed by Virginia statute (and applicable here) to preclude parties from disclosing in court what occurs during mediation (other than written agreements arising from the mediation – *e.g.*, RIM Exhibits 2-4).[5] Throughout its opposition, NTP makes allegations about positions the parties purportedly took during the settlement mediation. NTP tries to cast RIM in a derogatory light, depict RIM as unreasonable, and blame RIM for an alleged failure to finalize additional settlement documentation. NTP is fully well aware that the only way RIM can factually rebut NTP's baseless arguments and innuendo is to disclose point by point what actually occurred. But this is clearly precluded by the Virginia mediation privilege. The Court should set aside NTP's improper characterization of the mediation for two independent reasons: (1) such characterizations are bare argument unsupported by evidence and (2) the characterizations violate the mediation privilege.[6]

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4. *Johnston v. IVAC Corp.*, 885 F.2d 1574, 1581 (Fed. Cir. 1989) (attorney argument no substitute for evidence); *In re Budge Mfg. Co.*, 857 F.2d 773, 776 (Fed. Cir. 1988) (statements of attorney are "no evidence").

5. *See* Va. Code Ann. § 8.01-581.22; Fed. R. Evid. 501 (state law privileges apply in federal court proceeding).

6. RIM considered filing a motion to seal NTP's brief last Friday before the Court made it publicly available. RIM learned, however,

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Appendix B

Bottom line: Either the parties settled this case on March 13 or they did not. If the case settled on March 13, then it became moot on March 13. If moot, then the courts have no constitutional authority after March 13 to continue on the merits of the settled action.

NTP's purported "dispute" does not change the fact that this case either settled March 13 — and mooted this action — or it did not. The courts must resolve the "dispute" before proceeding further. The record evidence is clear that the case settled on March 13, and this Court may rule accordingly. But, as RIM's motion anticipates, this Court may decline to act as a court of first instance, and remand the settlement issue to the district court (as appellate courts typically do). Either way, the courts cannot take further action on the underlying merits of the action until first resolving the settlement/mootness issue. The Constitution absolutely forbids NTP's "shoot first and ask questions later" approach to the Article III case or controversy jurisdictional limit on judicial authority.

Finally, even if the Court had discretion to proceed with the underlying case, it still should stay the proceedings and remand to the district court to resolve and enforce the settlement. Otherwise, the Court would entirely frustrate a fundamental purpose for RIM's agreement to the particular terms of settlement when it did — *i.e.*, **immediate** cessation

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(Cont'd)

that NTP already had distributed copies of its brief to the public — *including investment analysts* — thus rendering such a motion futile. RIM maintains the mediation privilege as to such disclosures and will seek recourse as and when appropriate.

of the litigation. The continued litigation places a cloud of uncertainty over RIM's business and RIM's ability to supply unique, leading technology that is used by businesses world-wide, and heavily relied on by U.S. government and emergency providers in times of crisis. In full acknowledgement of why RIM agreed to settle when it did, NTP agreed that [

]⁷ RIM's motion is consistent with that agreement, which belies NTP's feigned question of RIM's intent here.⁸ A stay of proceedings is consistent with this agreement and the strong public policy to enforce settlement agreements, rather than frustrate them. This Court recognizes that "courts favor dispute resolution through voluntary settlements" and "[t]hose who employ the judicial appellate process to attack a settlement . . . bear a properly heavy burden."⁹ A stay also will prevent wasting judicial resources on the underlying action if — as the evidence shows — the case is indeed settled, because the settlement dispute *must* be resolved, but the underlying action need not be if the case is settled.

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7. E-Mail Agreement (RIM Ex. 4) (emphasis added).

8. *See* NTP Opp. at 2.

9. *S&T Manuf Co. v. County of Hillsborough*, 815 F.2d 676, 678-679 (Fed. Cir. 1987) (sanctioning patentee for challenging settlement in a "frivolous" appeal where — as here — the patentee had "no factual basis in the record" and "no analysis under any legal theory" supporting its challenge).

Appendix B

I. Mootness Is A Jurisdictional Limit On Judicial Authority.

The March 13 settlement triggers the duty of this Court to assess whether a case or controversy continues to exist. Where the Court cannot do so on its own and "where circumstances have changed between the ruling below and the decision on appeal, the preferred procedure is to remand to give the district court an opportunity to pass on the changed circumstances."[10] The constitutional case or controversy limit on judicial authority is a mandatory – not discretionary – jurisdictional requirement that must exist at all stages of review.[11] If this condition is not met, resolution of the case is no longer within the constitutional purview of the federal courts.[12]

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10. *Concerned Citizens of Vicksburg v. Sills*, 567 F.2d 646, 649-50 (5th Cir. 1978) (citing *Korn v. Franchard Corp.*, 456 F.2d 1206, 1208 (2nd Cir. 1972)); *see also, Caldwell v. United States Dep't of Housing & Urban Dev.*, 522 F.2d 4, 6 (4th Cir. 1975) ("The matter of mootness in this setting is more properly addressed to the district court, where the facts surrounding the settlement may be ascertained, and the district court, of course, may dismiss the case, not merely the appeal, if it is in fact moot.").

11. *See* U.S. *CONST.* Art. III § 2, cl. 1; *see also Steffel v. Thompson*, 415 U.S. 452, 459 n.10 (1974) ("an actual controversy must be extant at all stages of review, not merely at the time the complaint is filed"); *Aqua Marine Supply v. Aim Machining*, 247 F.3d 1216, 1219 (Fed. Cir. 2001) ("[I]t is axiomatic that a federal court may not address 'the merits of a legal question not posed in an Article III case or controversy,' and that 'a case must exist at all stages of appellate review.') (quoting *US. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18, 21 (1994)).

12. *See Foster v. Carson*, 347 F.3d 742, 747 (9th Cir. 2003) ("We do not have the constitutional authority to decide moot cases.").

"Settlement moots an action."[13] That is the case here. The evidence before the Court shows that this case was settled and rendered moot on March 13 when the parties executed the binding Term Sheet.[14] This raises a threshold jurisdictional issue that — whether disputed or not — the Court must address before proceeding any further on the merits of the underlying action.[15] NTP's "dispute" whether

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13. *Gould v. Control Laser Corp.*, 866 F.2d 1391, 1392 (Fed. Cir. 1989) (citing *Lake Coal v. Roberts & Schaefer Co.*, 474 U.S. 120 (1985)).

14. *See IAL Aircraft Holding, Inc. v. FAA*, 216 F.3d 1304, 1306 (11th Cir. 2000) ("We evaluate our jurisdiction *at the moment* the alleged mooting event occurred.") (emphasis added); *Key Enter. of Delaware, Inc. v. Venice Hospital*, 9 F.3d 893, 897 (11th Cir. 1993) ("The point at which our jurisdiction is to be determined, however, is not the present but rather the moment the case settled.")

NTP's suggestion that a settlement does not moot an action until it is filed with the court, Opp. Br. at 6, is unsupported by case law. *See Estillette v. Estillette*, 555 F.2d 474 (5th Cir. 1977) (holding that action was moot absent any settlement agreement where parties to divorce proceedings informed court at oral argument that they had reconciled); *Principal Mut. Life Ins. Co. v. United States*, 29 Fed. Cl. 157, 162 (Ct. Fed. Cl. 1993), *aff'd* 50 F.3d 1021 (Fed. Cir. 1995) (rejecting argument that issue was not moot because settlement reflected in letter exchange had not been filed in stipulated of dismissal with the court).

15. *Donovan ex rel. Donovan v. Punxsutawney Area School Bd.*, 336 F.3d 211, 216 (3d Cir. 2003) ("At the outset, we must address whether Appellant's request for injunctive and declaratory relief has become moot . . . Although the parties did not raise the issue in their

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a settlement exists does not convert the mandatory jurisdictional requirement into a discretionary one, but — at most — suggests the need to have an evidentiary hearing on the settlement dispute, which is more properly conducted by the district court. The Court, therefore, should immediately stay the appeal in this case and order a limited remand of the settlement dispute.

Even if staying proceedings were discretionary, NTP cites no prejudice flowing from a stay. None will occur. RIM pays money into escrow at an enhanced royalty rate for every day that passes, and RIM publicly confirmed that it also has set aside additional funds to satisfy the agreed $450 million. RIM has settled this case in good faith. The Court should allow RIM to prove the settlement before taking further action on this appeal that may frustrate that settlement and deprive RIM of the benefit of its bargain.

It should be clear what NTP actually seeks to achieve here. On March 13 (and now), RIM strongly believed in the merits of its petition for rehearing. But RIM agreed to settle this case then in order to **immediately** stop the looming uncertainties created by the continued litigation and its detrimental impact on RIM's business. As NTP well knows, if the Court proceeds with the underlying action, it will wholly frustrate a fundamental purpose for RIM agreeing to

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(Cont'd)

original briefs, we resolve the issue *sua sponte* because it implicates our jurisdiction); *Rogin v. Bensalem Township*, 616 F.2d 680, 684 (3d Cir.1980) ("Inasmuch as mootness would divest us of jurisdiction to consider this appeal, we are obligated to address this issue as a threshold matter.").

the settlement (and its terms) when it did. NTP's actions here are nothing less than a strategy to extract more money and concessions from RIM than it agreed to on March 13 under the threat of that continued litigation.[16] NTP sees no downside to this tactic, viewing (perhaps improvidently) that its "worst case" is collecting $450 million in exchange for the bargain it actually struck on March 13.

II. The Court Should Remand To Allow the District Court to Interpret and Enforce the Settlement Agreement.

The record evidence is clear: the parties entered a binding settlement agreement on March 13. At most, NTP's opposition demonstrates why this case may need to be remanded to the district court for evidentiary and other proceedings on the settlement issue.[17] NTP's attempt now to renege on the settlement does not change the salient fact that, under controlling Virginia law, a binding agreement was entered March 13 that must be honored.

A. RIM presents compelling evidence of a binding settlement.

In Virginia, it is well established that a binding contract comes into existence even if it contemplates preparing more definitive documents later: "Where the minds of the parties

16. To that end, NTP apparently forwarded its misleading brief to securities analyst to use in evaluating RIM's stock.

17. *See Guinness PLC v. Ward*, 955 F.2d 875, 897 (4th Cir. 1992).

have met and they are fully agreed and they intend to be bound there is a binding contract even though a formal contract is later to be prepared and signed."[18] Thus, the Term Sheet's anticipation that the parties would prepare more formal final documents does not preclude the Term Sheet itself from being what it purports to be – and what the parties contemporaneously agreed it to be — *i.e.*, a binding settlement agreement.

NTP erroneously argues — without any evidentiary support — that there was no meeting of the minds between the parties.[19] But the only *evidence* of record establishes that the parties entered a binding agreement on March 13:

[ ] **Letter (RIM Ex. 3)**: First, RIM submits a letter from RIM to NTP dated February 9, 2005 that [

[20]

[21]

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18. *Agostini v. Consolvo*, 153 S.E. 676, 679 (Va. 1930).

19. NTP Opp. at 3.

20. Letter (RIM Ex. 3).

21. Importantly, these ["Non-Monetary Terms" included a complete release from litigation and all past claims by NTP for damages against RIM, a fully paid license, and a global covenant not to sue]. Letter at 1-2 (RIM Ex. 3).

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[22] These [ ] are expressly incorporated in the formal "Term Sheet."[23]

Executed Term Sheet (RIM Ex. 2): Second, RIM submits the Term Sheet itself. The Term Sheet states that the Parties [ ] indicating a meeting of the minds and full agreement on express terms.[24] For example, RIM is granted [ ][25] And RIM also is [ ][26] In consideration of these rights, the "Term Sheet" states that [ ].[27] There is little doubt the Term Sheet has all elements of a binding contract.

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22. Letter (RIM Ex. 3).

23. *See* Term Sheet, ¶ a (RIM Ex. 2) [(including "the general terms set out in the letter . . . dated February 9, 2005 . . .")].

24. Term Sheet (RIM Ex. 2).

25. Letter at 2 (RIM Ex. 3).

26. Term Sheet, If (c) (RIM Ex. 2).

27. Term Sheet, ¶¶ (a), (b) (RIM Ex. 2).

Appendix B

E-mail Agreement (RIM Ex. 4): Third, RIM submits an e-mail agreement dated March 15, 2005 – immediately after the Term Sheet was executed – that provides contemporaneous evidence that the Term Sheet is a binding agreement.[28]

At that time, NTP's lead trial counsel stated unequivocally that [

]"[29]

Joint Press Release (RIM Ex. 1): Finally, RIM submits a joint press release, dated March 16, 2005, as further contemporaneous evidence that the parties entered a binding agreement.[30] This joint press release was made based on [

]"[31] Among other things, [ ] the parties "have signed a binding term sheet that resolves all current litigation between them."[32] In return, RIM "will pay to NTP US$450 million in final and full settlement of all claims to date against RIM, as well as for a perpetual, fully-paid up license going forward."[33]

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28. E-Mail Agreement (RIM Ex. 2).

29. E-Mail Agreement (RIM Ex. 4) (emphasis added).

30. Joint Press Release (RIM Ex. 1).

31. E-Mail Agreement (RIM Ex. 4).

32. Joint Press Release (RIM Ex. 1).

33. Joint Press Release (RIM Ex. 1).

Appendix B

B. NTP's unsupported claim that the Term Sheet is "vague" at most is an issue of contract interpretation, not contract formation.

Virginia law recognizes that, because perfection is not attainable, "reasonable certainty is all that is required" in order to have a binding contract.[34] NTP's conjecture that the terms of the parties' settlement are somehow "vague" is made without any evidentiary support. Likewise, NTP fails to identify or even suggest that a material term is missing from the Term Sheet. Rather than "sparse" and "vague," the evidence demonstrates that the agreement was detailed, concrete, and strongly evidences a binding agreement, particularly given Virginia law's strong preference to construe contracts to preserve their enforceability.[35]

NTP's further suggestion that the parties' agreement is somehow ambiguous is similarly unsupported and unavailing. In any event, ambiguities are matters of contract interpretation — not formation — and are precisely the kind of matters to be resolved by the district court. A contract is not ambiguous merely because the parties disagree as to the meaning of terms.[36] The Supreme Court of Virginia recently spoke to the issue of ambiguities in contracts and held that contracts between parties are subject to basic rules of

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34. *Smith v. Farrell*, 199 Va. 121, 128 (1975).

35. *See, e.g., Coastland Corp. v. Third National Mortgage Co.*, 611 F.2d 969, 976 (4th Cir. 1979) (citing *High Knob, Inc. v. Allen*, 138 S.E.2d 49, 53 (1964)).

36. *Ross v. Craw*, 231 Va. 206, 212-13 (1986).

interpretation and the terms, if ambiguous, will be given their reasonable meanings.[37] NTP's attempt to raise purported ambiguities in the Tenn Sheet as a reason for this Court to refuse a limited remand runs afoul of these basic precepts.

III. Conclusion

For the foregoing reasons, RIM respectfully requests this Court to stay the appeal and remand to the district court for further proceedings limited to enforcing and interpreting the parties' settlement agreement, including any discovery, briefing, and/or an evidentiary hearing as necessary to resolve that issue.

Respectfully submitted,

s/ [illegible]
Counsel for Defendant Appellant,
RESEARCH IN MOTION, LIMITED.

Dated: June 13, 2005

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37. *TMDelmarva Power v. NCP of Va., L.L.C.*, 263 Va. 116, 119 (Va. 2002).

APPENDIX C — FACSIMILE FROM JAMES H. WALLACE, JR. OF WILEY REIN & FIELDING LLP DATED DECEMBER 14, 2005

Wiley Rein & Fielding LLP

December 14, 2005

VIA FACSIMILE:

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Re: NTP v. RIM

Dear Gentlemen:

As you know, Judge Spencer ruled on November 30, 2005 that "the parties do not have a valid and enforceable

settlement agreement." Footnote 3 of your cert. petition suggests that the issue is finally resolved.

Please advise us by 5:00 p.m. ET on Friday, December 16, whether this is an issue that RIM will preserve for appeal or whether it waives any appeal on this issue.

Best regards,

James H. Wallace, Jr.

APPENDIX D — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA, RICHMOND DIVISION FILED DECEMBER 16, 2005

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

Civil Action Number 3:01CV767-JRS

NTP, INC.,

Plaintiff,

v.

RESEARCH IN MOTION, LTD.,

Defendant.

ORDER

THIS MATTER comes before the Court for the purpose of scheduling the necessary briefing on the remaining issues relating to NTP's request for injunctive relief and appropriate damages in light of the decision from the United States Court of Appeals for the Federal Circuit in *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005). Upon due consideration, it is hereby ORDERED that:

1. The parties are DIRECTED to submit simultaneous briefs addressing both the remaining issues related to injunction and appropriate damages. The parties' briefs

shall be due on or before Tuesday, January 17, 2006, at 5:00 PM.

2. Both parties' responsive briefs shall be due on or before Wednesday, February 1, 2006, at 5:00 PM.

3. The United States Department of Justice ("DOJ") is granted leave to submit a brief, if it deems necessary, addressing the scope and timing of implementing an injunction, if granted.

    a. The brief of DOJ shall be due on or before February 1, 2006, at 5:00 PM.

    b. The brief of DOJ shall not exceed thirty-five (35) pages, double spaced.

4. The parties' initial and responsive briefs—including footnotes, but excluding affidavits, exhibits, and supporting documentation—shall not when combined, exceed a total of eighty (80) pages, double spaced. The Court will not consider any additional briefing beyond the responsive briefs.

5. The Court will contact the parties in January 2006 to schedule a hearing date on both issues.

The Clerk is directed to fax a copy of this Order to local counsel for Plaintiff, Jack E. McClard, and for Defendant, Robert M. Tyler, and send a copy of this Order to all counsel of record.

Appendix D

It is SO ORDERED.

s/ James R. Spencer
James R. Spencer
UNITED STATES DISTRICT JUDGE

December 16, 2005
DATE

(5)

No. 05-763

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SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

RESEARCH IN MOTION, LTD.,
Petitioner,

v.

NTP, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF[1]

This case presents a question of critical significance in today's increasingly borderless world—whether the patent laws (specifically, 35 U.S.C. § 271(a)), which Congress expressly limited to conduct occurring "within the United States," can be judicially extended to reach a transnational telecommunications system with *extraterritorial* components and functions. While NTP contends that the Federal Circuit merely applied run-of-the-mill patent principles to this case, nothing could be further from the truth.

NTP's opposition brief fails to address at all the wholly arbitrary line that the Federal Circuit has drawn through the heart of U.S. patent law by concluding that some kinds of claims can be infringed extraterritorially while others cannot based solely on how the patent drafter chooses to label a claim. Worse yet, the decision below dramatically departs from the bedrock presumption against the extraterritorial application of U.S. laws applied by the Supreme Court and every other federal court of appeals when interpreting the proper scope of U.S. laws. Left unchecked, this decision will have sweeping effects on U.S. patent law enforcement, ultimately interfering with the intellectual property laws of other nations and imposing U.S. legal standards on foreign nationals based on conduct occurring at least in part on foreign soil. NTP again, however, has no answer and instead attempts to distract the Court from the critical issues by marshaling various trumped up arguments about the appropriateness of certiorari. These red herrings pose no obstacle to review by this Court of a clearly erroneous decision with important international implications.

1. This Case Presents Important Issues Concerning the Extraterritorial Application of U.S.

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[1] The Rule 29.6 corporate disclosure statement filed with the petition remains accurate.

Patent Law. NTP seeks to deny the important international implications of this case by contending that RIM's BlackBerry system is "not 'an Internet-based global telecommunications system'" and therefore not genuinely transnational. Opp. at 26. Indeed, NTP repeatedly asserts that the accused system concerns customers "who send and receive email messages entirely within the United States" and nothing more. Opp. at 1; *see also id.* at 2, 11, 15-16, 25-27. That astonishing assertion, however, denies the very facts of this case. The critical component of RIM's BlackBerry system—the Network Control Center—through which all such messages flow, is indisputably located in Canada.[2] Moreover, the BlackBerry system is truly a global one—a user in the United States can receive emails sent from almost anywhere in the world.

NTP's assertion that BlackBerry customers use the accused *system* "within the United States" when they use their handheld BlackBerry devices in Lafayette Park (or elsewhere) thus assumes the conclusion. Opp. at 16. NTP's patents do not purport to cover only the handheld devices. Rather, they cover an entire *system* of which a handheld device is just *one component,* and one that NTP does not even claim to have invented. *See* Pet. at 3-4. Indeed, the Federal Circuit noted that "[t]his case presents an added degree of complexity" precisely *because* "the 'patented invention' is not one single device, but rather a system comprising multiple distinct components. . . ." App. 49a.

---

[2] Indeed, NTP describes the crux of its invention as the "integration of an electronic mail system with a RF information transmission network." Opp. at 4. In RIM's system, the "integration" that NTP claims is central to its invention occurs at the Network Control Center in Canada, which controls and manages millions of emails sent from dozens of countries throughout the world through the "electronic mail system" and onto various "RF . . . network[s]." Far from being a passive component with a "limited function" as NTP suggests, the Network Control Center is the heart and brains of the BlackBerry system. *See* Pet. at 4-7.

Whether use of a single component of the system within the United States is sufficient to violate § 271(a) is, of course, the very question presented—a question with implications for every user of a transnational system, whether by the Internet or some other means.

Under the reasoning of the decision below, every person who uses a wireless BlackBerry handheld device in the United States is an infringer, notwithstanding that a claimed component of the BlackBerry system, the Network Control Center, is located and operated entirely in Canada. The Federal Circuit's decision thus improperly conflates the location of the *user* with the location of the *invention*. Under the decision below, anyone who uses the Internet in the United States to access a system could infringe that system even if it is located and operates partially or entirely *outside* the United States.

In reaching this astonishing conclusion, the Federal Circuit grafted an entirely arbitrary distinction onto the patent laws, under which an accused infringer's liability depends entirely on whether the asserted claim is labeled as a so-called "system" claim rather than a "method" claim. The Federal Circuit concluded below that, as a matter of law, RIM could not infringe NTP's method claims *precisely because of the foreign location* of RIM's Network Control Center in Canada. That holding was, of course, compelled by this Court's ruling in *Deepsouth Packing Co., Inc. v. Laitram Corp.*, 406 U.S. 518 (1972). Yet, when it came to NTP's system claims, the court reached the opposite conclusion, even though the system claims contain the same litany of "steps" and much of the same functionality contained in the method claims—as is typically the case.

Its rationale for so doing—that use of a system, as opposed to a method, occurs *as a whole* wherever beneficial use of the system occurs—simply will not withstand scrutiny. In *Deepsouth*, this Court made clear that the "patented invention" means the operable assembly of *all*

parts of the invention—not merely some, or even substantially all, of the claimed components of an invention. *See* 406 U.S. at 528; *see also Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 29 (1997) (holding that infringement must be adjudged as to each of the "individual elements of the claim"). Thus, it follows that to use the patented invention disclosed in a system claim "within the United States," *all* claimed components and functionality of that system must be used within the U.S.

There is no principled reason or statutory basis for distinguishing the claims at issue here. The lower court admitted that just as method claims are comprised of "multiple distinct steps," system claims are also comprised of "multiple distinct components." App. 49a. If the extraterritoriality of any claim element is sufficient to defeat an infringement action under one type of patent claim, it should likewise be sufficient to defeat infringement under another as well.

A comparison of the key limitations implicating extraterritorial issues in Claim 32 (a method claim) and Claim 15 (a system claim) of the '960 patent demonstrates the absurdity of this distinction (identical language in bold):

A method ... **comprising:**	A system . . . **comprising:**
...	...
transmitting the originated information received from the gateway switch from the interface switch to a RF information transmission network;	at least one interface switch. . . **transmitting the originated information received from the gateway switch from the interface switch to the RF information transmission network;**
...	...
the originated information is transmitted to the interface switch by the gateway switch in response to an address of the interface switch which has been added to the originated information at the one of the plurality of originating processors or by the electronic mail system and the originated	**the originated information is transmitted to the** one **interface switch by the** one **gateway switch in response to an address of the** one **interface switch which has been added to the originated information at the one of the plurality of originating processors or by the electronic mail system and the**

information is transmitted from the interface switch to the RF information transmission network with an address of the at least one of the plurality of destination processors to receive the originated information which has been added at the originating processor, or by either the electronic mail system or the interface switch.	**originated information is transmitted from the one interface switch to the RF information transmission network with an address of the at least one of the plurality of destination processors to receive the originated information which has been added at the originating processor, or by either the electronic mail system or the one interface switch; ...**

Because the system claim (Claim 15) requires that the exact same acts or steps be performed as the method claim (Claim 32), it follows that the Federal Circuit's holding as to the method claims—that the "use" occurs where the recited acts or steps are performed—applies equally to the system claims. *See* Pet. at 25. In giving disparate treatment to system and method claims that employ nearly identical wording, the Federal Circuit ignored its own long-standing holding that claim interpretation begins and ends in all cases with the actual words of the claim. *See, e.g., Searfoss v. Pioneer Consol. Corp.*, 374 F.3d 1142, 1149 (Fed. Cir. 2004).

Notably, NTP limits its discussion of this fundamental inconsistency to a single footnote in which it does little more than merely repeat the flawed analysis of the decision below. Opp. at 10 n.5. At bottom, NTP cannot deny that the decision below is illogical, and in conflict with controlling Supreme Court and Federal Circuit precedent. The decision entrusts the international boundaries of patent liability to the whims of patent drafters, who arbitrarily elect whether to use a "system" or "method" label in drafting the preamble to patent claims, rather than to the clearly expressed will of Congress. That alone demands review by this Court. *Cf. Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1856) (refusing to construe patent statute in a manner that would "confer on patentees not only rights of property, but also political power, and enable them to embarrass the

treaty-making power in its negotiations with foreign [nations]").

2. The Federal Circuit's Approach To Extraterritoriality Is Inconsistent With Supreme Court Precedent And The Approach Of Every Other Court Of Appeals. This Court has long held "that legislation of Congress, unless a contrary intent appears, is meant to apply only within the territorial jurisdiction of the United States." *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991) ("*Aramco*"); *see also Smith v. United States*, 507 U.S. 197, 204 (1993). And, of course, "Congress legislates against the backdrop of the presumption against extraterritoriality." *Aramco*, 499 U.S. at 248. This presumption is "doubly fortified" when extraterritorial reach is circumscribed "by the language of th[e] statute and the legislative purpose underlying it." *United States v. Spelar*, 338 U.S. 217, 222 (1949). Unsurprisingly, when confronted with extraterritorial application of U.S. laws, every other federal court of appeals applies these well settled-principles. *See, e.g.*, *United States v. Yakou*, 428 F.3d 241 (D.C. Cir. 2005) (interpreting the Brokering Amendment to the Arms Export Control Act); *Denty v. SmithKline Beecham Corp.*, 109 F.3d 147 (3d Cir. 1997) (interpreting the Age Discrimination in Employment Act); *Nieman v. Dryclean U.S.A. Franchise Co., Inc.*, 178 F.3d 1126 (11th Cir. 1999) (interpreting the Federal Trade Commission Act); *Kollias v. D & G Marine Maint.*, 29 F.3d 67 (2d Cir. 1994) (interpreting the Longshore and Harbor Workers' Compensation Act); *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088 (9th Cir. 1994) (interpreting the Copyright Act). NTP, however, has no answer for the Federal Circuit's inconsistency with this prevailing precedent.

The decision below fails even to acknowledge any presumption against extraterritoriality, despite the plain text of § 271 limiting its application to actions "within the United States." This phrase is not unique—it appears in countless

statutes. It plainly indicates Congress's intent to *limit*, not extend, the reach of § 271(a). The decision below is all the more astonishing in light of the Federal Circuit's concession that "it is *unclear* from the statutory language" whether § 271(a) covers the extraterritorial conduct at issue. App. 52a (emphasis added). Given this concession, the Federal Circuit's decision cannot be squared with this Court's longstanding precedent requiring "a *clear and certain* signal from Congress" before expanding the reach of U.S. patent laws. *Deepsouth*, 406 U.S. at 531 (emphasis added).

Certainly there is no precedent for the Federal Circuit's extraordinary new ruling that "[t]he use of a claimed system under section 271(a) is the ... place where control of the system is exercised and beneficial use of the system obtained." App. 55a. This is indisputably a *new* definition of use never before applied to § 271(a) that will lead to confusion and potentially limitless expansion of U.S. patent law. Under this formulation of use, a potential infringer could be held liable under § 271(a) even if *not a single component* of a claimed system is located "within the United States" but some individual arguably "controls" the system and derives some "benefit" within the United States.[3]

NTP's reliance on *Decca Ltd. v. United States*, 544 F.2d 1070 (Ct. Cl. 1976), is unavailing. *Decca* involved the unique provisions of 28 U.S.C. § 1498, not 35 U.S.C. § 271(a). It is well settled that "a section 1498 action and a

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[3] NTP argues that RIM's suggested interpretation of § 271(a) would create a "jurisdictional loophole" that would allow an infringer purposefully to evade U.S. patent law. Opp. at 1, 21-22. That is plainly not the case with respect to RIM, which always has been a Canadian company that, not surprisingly, operated its Network Control Center at its headquarters in Waterloo, Ontario well before it received notice of NTP's patents. In any case, the precise calibration of U.S. patent law is for Congress to decide, not the courts. *See Deepsouth*, 406 U.S. at 530-31. If Congress concludes that the term "use" in § 271(a) should be replaced with term "control and beneficial use," it can amend the statute.

title 35 action are only parallel and not identical." *Lemelson v. United States*, 752 F.2d 1538, 1548 (Fed. Cir. 1985).

In any event, the Federal Circuit's formulation of a "control and beneficial use" test is inconsistent with the actual analysis articulated in *Decca* that required, among other factors, that the patent's contribution to the art (in this case the "integration" of an email and RF system) be situated within the United States. Moreover, the *Decca* court constructed its test in the context of a statute that is focused exclusively on the conduct and liability of the U.S. federal government, and relied heavily on the fact that the U.S. Government equipment at issue was located abroad with the consent of the Norwegian Government. The court reasoned that with such consent came an implied understanding Norway would "abstain from any application of its own patent law that would interfere with the intended use." *See* 544 F.2d at 1074, 1082-1083. As a result, conflict with foreign patent law was not implicated. While the *Decca* court thus distinguished *Deepsouth* and indicated it had no need to (and therefore did not) give consideration to the requirement of prescriptive comity under which U.S. laws are interpreted to avoid unreasonable interference with the sovereign authority of other nations, that concern is prevalent under § 271(a), which addresses the activities of private entities.[4]

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[4] NTP's contention that Congress has cited *Decca* disapprovingly for not extending extraterritorial application of U.S. patent laws far enough is also nonsense. Opp. at 21. In the reports cited by NTP, Congress merely cites *Decca* in passing in the context of considering whether spacecraft would in fact be considered U.S. territory under current case law. Congress nowhere suggested that § 271(a) had not been applied broadly enough by the courts in private infringement suits. Indeed, as in all instances when it has broadened the territorial reach of the patent laws, Congress left § 271(a) undisturbed and enacted an entirely new provision to reach outer space activities. *See* Pet. at 19 n.8.